

### **Scope of Work**

The audit procedures consisted of the following:

- Identify the number of lines reported as working loops during the 60-90 day period preceding the disconnect date which were included in the line count filings as of September 30, 2006 and December 31, 2006.
- Quantify the number of lines reported as working loops during the 60-90 day period preceding the disconnect date that were included in the September 30, 2006 and December 31, 2006 filings where the phone numbers were returned to inventory, and service was not reactivated.
- Report the results of findings.

### **Audit Results**

#### **Background**

In the attestation engagement report dated March 10, 2010, the Firm reported that the Coral Wireless (the Beneficiary) interprets the term "Working Loop" to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary disconnects the line and returns that telephone number to available inventory for assignment to a new customer.

[REDACTED]

[REDACTED]. The lines do not appear to meet the definition of a working loop as the service is prepaid, meaning that the line is not revenue producing, and was not active as of September 30, 2006.

The finding provided below is similar to the finding noted in the original audit (HC-2008-126) with additional details provided.

#### **Condition**

The Beneficiary provides wireless services on a month-to-month basis where the services are paid in advance. Revenues from wireless services are recognized as services are rendered. Amounts received in advance are recorded as deferred revenue and are recognized on a straight-line basis

over the period of service.

The Beneficiary interprets the term "Working Loop" to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary disconnects the line and returns that telephone number to available inventory for assignment to a new customer. The Beneficiary determines the date upon which a customer's line will be disconnected pursuant to its disconnection policy.



**Criteria**

In the Glossary to 47 CFR Part 36, a working loop is defined as a revenue producing pair of wires, or its equivalent, between a customer's station and the central office from which the station is served.

Federal Communications Commission (FCC) Rule §54.307(a) provides that a competitive eligible telecommunications carrier ("CETC") may receive universal service support to the extent that the competitive eligible telecommunications carrier captures the subscriber lines of an incumbent local exchange carrier (LEC) or serves new subscriber lines in the incumbent LEC's service area.

Under FCC Rule §54.307(b), in order to receive support, a competitive eligible telecommunications carrier must report to the Administrator the number of **working loops** it serves in a service area pursuant to the schedule set forth in paragraph (c) of this section. FCC Rule §54.307(b) defines working loops for CETC's as the number of working Exchange Line C&WF loops used jointly for exchange and message telecommunications service, including C&WF subscriber lines associated with pay telephones in C&WF Category 1, but excluding WATS closed end access and TWX service.

**Effect**

The Beneficiary provides wireless services on a month-to-month basis where the services are paid in advance. As the wireless service is prepaid, the line ceases to be revenue producing at the end of the prepaid period, and thus should not be included in the filings.

**Cause**

The Beneficiary interprets the term "Working Loop" to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary

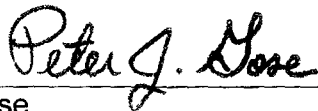


## DECLARATION OF PETER GOSE

I, Peter Gose, declare and state as follows:

1. My name is Peter Gose. I am the Director - Regulatory Affairs at Coral Wireless d/b/a Mobi PCS ("Coral"). My business address is Pacific Guardian Center - Makai Tower, 733 Bishop Street, Suite 1200, Honolulu, HI 96813.
2. I make this declaration based upon my own personal knowledge and my familiarity with the matters recited herein. I could and would testify to under oath to the same should I be called as a witness before the Court.
3. At all times relevant to the issues addressed in the attached letter, I held the position of Director - Regulatory Affairs at Coral, and was responsible for compliance with FCC rules and communications with the USF Administrator.
4. I have reviewed the attached letter from Todd Daubert of SNR Denton US LLP to Wayne Scott of the Universal Service Administrative Company. All factual assertions made in that letter are true and correct to the best of my knowledge.
5. This concludes my declaration.

I declare under penalty of perjury that the foregoing is true and correct.



---

Peter Gose  
Director - Regulatory Affairs  
Pacific Guardian Center - Makai Tower  
733 Bishop Street  
Suite 1200  
Honolulu, HI 96813

Executed on August 10, 2012



High Cost and Low Income Division

*By Certified Mail, Return Receipt Requested*

June 12, 2012

Mr. Barry Rinaldo  
Chief Financial Officer  
Coral Wireless d/b/a Mobi PCS  
733 Bishop St., Suite 1200  
Honolulu, HI 96813

Re: Action to be Taken Resulting from High Cost Audit of Coral Wireless LLC d/b/a Mobi  
PCS (SAC 629002) follow-up to Audit Report HC2008BE126

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Dear Mr. Rinaldo:

A follow-up audit of Coral Wireless LLC d/b/a Mobi PCS for Study Area Code (SAC) 629002 was conducted for disbursements to the carrier from July 1, 2007 to June 30, 2008 by USAC Internal Audit Division. As directed by the FCC, USAC is obligated to implement all recommendations arising from the auditors including recovery of funds that may have been improperly disbursed to beneficiaries. As such, USAC will recover [REDACTED] from the August 2012 support payment, which will be disbursed at the end of September 2012.

Consistent with current administrative practice, if the recovery amount exceeds the company's disbursement for that month, USAC will continue to offset the remaining recovery amount balance against subsequent High Cost support disbursements until such time as the full amount is recovered. If necessary, USAC reserves the right to invoice and collect any remaining amounts owed.

As is the case with any decision of the USF administrator, you have the right to appeal this decision to USAC or directly to the FCC pursuant to 47 C.F.R. § 54.719. The appeal must be filed within 60 days of the date of this letter as required by 47 C.F.R. § 54.720(a) and must conform to the filing requirements of 47 C.F.R. § 54.721. Additional information about the appeals process may be found at <http://www.usac.org/hc/about/program-integrity/appeals.aspx>.

Sincerely,

*High Cost Management*



Deloitte & Touche LLP  
Suite 800  
1750 Tysons Boulevard  
McLean, VA 22102  
USA

Tel: +1 703 251 1600  
Fax: +1 703 272 9014  
[www.deloitte.com](http://www.deloitte.com)

December 30, 2008

Mr. Barry Rinaldo  
Coral Wireless DbA Mobi PCS  
733 Bishop Street, Suite 1200  
Honolulu, HI 96813  
808-723-2017

RE: Study Area Code (SAC) # 629002

Dear Mr. Rinaldo:

Deloitte & Touche LLP ("D&T") has been engaged to assist the Universal Service Administrative Company's ("USAC") Internal Audit Division in its examination of recipients of Universal Service Fund ("USF") High Cost Program ("HCP") funds. We plan to conduct a compliance attestation examination ("examination") related to disbursements from USF for the year ended June 30, 2008. It is anticipated that the examination will take approximately two weeks and will commence on February 2, 2009. The efficiency of the examination will depend on your availability, the availability of your staff, the condition of the documentation made available prior to and during the course of the examination, and the timeliness of your response to the attached data request.

#### **Nature of the Examination**

As more fully described in *Government Auditing Standards* and AICPA Compliance Attestation Standards (Section AT 601), a compliance attestation engagement requires that management:

- Perform an evaluation of its compliance with applicable requirements of Federal Communications Commission ("FCC") rules at 47 C.F.R. Part 54, Subparts C, D, and K and Part 36, Subpart F as well as applicable FCC Orders governing the HCP;
- Acknowledge (in the form of an assertion letter, an example of which is attached for your reference) responsibility for compliance with applicable requirements of the Rules and Orders; and
- Provide a management representation letter to D&T. The form and content of the management representation letter will be discussed with management during the course of the examination.

**D&T Contacts**

For your information and use, the examination program will be led by the following D&T personnel:

Name	Company	Position	Phone	Email
Joan Schweizer	D&T	Lead Audit Director	703-251-1210	jschweizer@deloitte.com
Peter Murtin	D&T	Lead Audit Senior Manager	703-251-1343	pxmurtin@deloitte.com

Other D&T personnel will perform the examination work. These individuals will be communicated to you prior to the commencement of the examination.

**Other Matters**

The examination will focus on the eligibility of your company for HCP support and the accuracy of information based on which your company seeks HCP support. We have attached a listing of the documents needed to facilitate our examination.

Requested documents (as shown in the attachment), are to be provided by email and should be sent to the following address **within fifteen business days of receipt of this letter**. Any documents that cannot be emailed can be mailed to the following address:

Deloitte & Touche LLP  
Attn: Peter Murtin  
Suite 800  
1750 Tysons Boulevard  
McLean, VA 22102-4219  
Email: [usmcleanusacaudit@deloitte.com](mailto:usmcleanusacaudit@deloitte.com)

Please recognize that D&T has the same authority as USAC's Internal Audit Division to request and view documents.

A D&T manager (or other designated team member) will contact you directly to discuss the attached data request so that any questions can be addressed before the examination commences. D&T will conduct a "kick-off" call to discuss the examination, project objectives, coordination, etc. with your key individuals responsible for the HCP.

At the completion of D&T's examination, D&T will conduct a final closing call to discuss the results of the examination and to discuss next steps in the examination process.

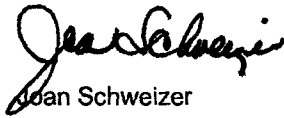
The results of D&T's work, as well as your comments received during the final call, will be presented in a draft report to USAC and the FCC Office of Inspector General ("FCC OIG"). Upon review and approval of the report by USAC Management and the FCC OIG, the report will be distributed to appropriate parties.

The following USAC website may answer some of your general questions regarding the High Cost Program:

<http://www.universalservice.org/hc>

If there are any matters or issues that you would like to make us aware of, or if you have any questions or concerns, please feel free to call me at 703-251-1210.

Regards,

A handwritten signature in black ink, appearing to read "Joan Schweizer".

Joan Schweizer  
Audit Director

4 Attachments:

1. Documents to be provided to Deloitte & Touche LLP within fifteen (15) days of receipt of this letter
2. Assertion Letter
3. USAC Letter
4. FCC Letter



CONFIDENTIAL

Aug. 10, 2012 Letter - Att. 2



**Federal Communications Commission  
Washington, D.C. 20554**

November 5, 2008

Dear High Cost Program Beneficiary:

Under the oversight of the Federal Communications Commission ("FCC") Office of Inspector General ("OIG"), the Universal Service Administrative Company ("USAC") is auditing carriers that receive federal Universal Service Funds ("USF") from the FCC's High Cost Support Program. Under this audit process your company was randomly selected for audit, and USAC retained a CPA audit firm to audit your company. As a consequence, the FCC's Inspector General ("IG") expects that the assigned Certified Public Accountant ("CPA") auditing firm will be given immediate and complete access to the books, records, and any other supporting documentation that was requested of your company in the audit announcement letter from USAC and any additional information that the auditor shall require.

As the FCC appointed administrator of the Universal Service support mechanisms,<sup>1</sup> USAC is legally authorized to audit carriers reporting USF data.<sup>2</sup> The FCC, the FCC's IG, and USAC may request and obtain all records, documents and other information that is necessary to determine whether your firm has been in compliance with FCC and state requirements for the High Cost Support Program.<sup>3</sup> Under the Commission's rules, carriers are required to maintain records and documents that demonstrate compliance with the FCC's rules and orders that are applicable to the High Cost fund. Upon request from the FCC, OIG, or USAC, carriers shall provide such records to the FCC, OIG, or to USAC's auditors.

We look forward to your full and complete cooperation with the assigned CPA audit firm in its efforts to complete the audit of your firm. Failure to comply with the FCC's rules will subject your company to the enforcement provisions (e.g., fines and forfeitures) of the Communications Act of 1934, as amended, as well as other applicable laws and regulations.

<sup>1</sup> 47 C.F.R. § 54.701 (a).

<sup>2</sup> 47 C.F.R. § 54.707. *See also* Inspector Generals' Act of 1978, 5 USC, App. at § 6.

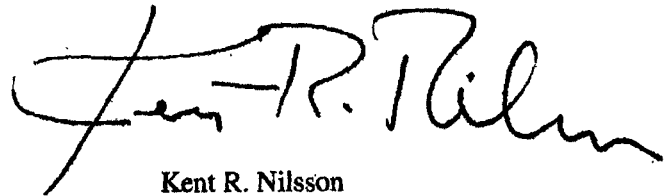
<sup>3</sup> 47 C.F.R. § 32.12; 5 U.S.C., App. 3, § 6 (a) (1); 47 U.S.C. § 220 (c).

CONFIDENTIAL

Aug. 10, 2012 Letter - Att. 2

If you have any questions, please contact William Garay, Assistant Inspector General for Universal Service Fund Oversight, at (202) 418-7899 / [William.Garay@fcc.gov](mailto:William.Garay@fcc.gov) or Paul Hartman, Management and Program Financial Advisor, at (202) 418-0992 / [Paul.Hartman@fcc.gov](mailto:Paul.Hartman@fcc.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Kent R. Nilsson". The signature is fluid and cursive, with the first name "Kent" being more prominent and the last name "Nilsson" following in a similar style.

Kent R. Nilsson  
Inspector General

cc: Mr. Jeffrey A. Mitchell, Esq., USAC

Wayne M. Scott  
Vice President

November 12, 2008

RE: FCC Inspector General Universal Service Fund Audits – Round 3 (2008-2009)

Dear High Cost Program Beneficiary:

The Universal Service Administrative Company (USAC) has engaged the services of professional public accounting firms (audit firms) to perform examinations of recipients of Universal Service Fund (USF) High Cost Program (HCP) funds. These examinations are being conducted under the direction of the Federal Communications Commission (FCC) Office of Inspector General (OIG) principally to assess compliance with FCC Rules and to address requirements related to the Improper Payment Information Act (IPIA).<sup>1</sup> The examination of your company relates to compliance with FCC Rules and HCP disbursements for the period July 1, 2007 through June 30, 2008. The efficiency of the examination will depend on your availability, the availability of your staff and the condition of the documentation made available prior to and during the course of the examination.

*Nature of the examination*

As more fully described in Governmental Auditing Standards and AICPA Standards (Section AT 601), a compliance attestation examination requires that management:

- 1) Perform an evaluation of its compliance with *47 C.F.R Part 54, Subparts C, D, J and K and Part 36, Subpart F Rules and other applicable rules or FCC orders ("Rules and Orders")*
- 2) Acknowledge (in the form of an assertion letter, an example assertion letter is attached for reference) responsibility for compliance with applicable requirements of the Rules and Orders; and
- 3) Provide a management representation letter to the audit firm performing the examination. The form and content of the management representation letter will be discussed with management at the inception of this examination.

*Contact Information*

The audit firm will provide you with contact information of audit firm personnel responsible for conducting the audit. If you have any questions or concerns that the audit firm cannot address, please contact the following USAC personnel:

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<sup>1</sup> Public Law 107-300, Stat. 2350, November 26, 2002.

Name	Company	Position	Phone Number	Email
Jeff Mitchell	USAC	Director, Outsourced Audit Services	202-776-0200	<a href="mailto:jmitchell@usac.org">jmitchell@usac.org</a>
Wayne M. Scott	USAC	Vice President, Internal Audit	202-776-0200	<a href="mailto:wscott@usac.org">wscott@usac.org</a>

*Other matters*

Please recognize that the audit firm has the same authority as USAC's Internal Audit Division to request and view documents.

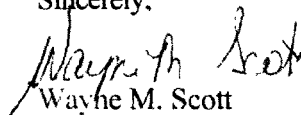
The results of the audit firm's work including your management's written response will be presented in a draft report to USAC and the FCC Office of Inspector General (FCC OIG). Upon review and approval of the report by USAC in consultation with FCC OIG, the report will be distributed to appropriate parties.

The following USAC website may answer some of your general questions regarding the High Cost Program:

<http://www.universalservice.org/hc>

If there are any matters or issues that you would like to make us aware of, or if you have any questions or concerns, please feel free to call Mr. Jeff Mitchell or myself.

Sincerely,



Wayne M. Scott

Vice President, Internal Audit Division

Universal Service Administrative Company

Attachment: Example Assertion Letter

***Universal Service  
Administrative Company  
High Cost Support  
Mechanism***

*Independent Accountants' Report on Compliance  
Relating to High Cost Support Received by Coral  
Wireless LLC d/b/a Mobi PCS (HC-2008-126) for the  
Year Ended June 30, 2008*

**INDEPENDENT ACCOUNTANTS' REPORT**

Universal Service Administrative Company  
Federal Communications Commission

We were engaged to examine the compliance of Coral Wireless LLC d/b/a Mobi PCS (Beneficiary), relative to Study Area Code No. 629002, with 47 C.F.R. Part 54, Subparts C and D of the Federal Communications Commission's ("FCC") Rules and related Orders governing Universal Service Support for the High Cost Program ("HCP") relative to disbursements of \$14,971,972 for telecommunication services made from the Universal Service Fund during the year ended June 30, 2008. Management of the Beneficiary is responsible for the Beneficiary's compliance with those requirements.

As discussed in Finding HC2008BE126\_F01, FCC Rule §54.307(b) defines working loops for competitive eligible telecommunications carriers as the number of working Exchange Line C&WF loops used jointly for exchange and message telecommunications service, including C&WF subscriber lines associated with pay telephones in C&WF Category 1, but excluding WATS closed end access and TWX service. The Beneficiary interprets the term working loop to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary disconnects the line and returns that telephone number to available inventory for assignment to a new customer. The Beneficiary has the right to place various limits upon the service in the 60 to 90 days preceding the disconnect date. During the 60 to 90 days preceding the disconnect date, the Beneficiary considers these lines as working loops and includes them in line counts submitted in accordance with FCC Rule §54.307. Line counts are used in the calculation of the Beneficiary's Universal Service Support, which totaled \$14,971,972 for the year ended June 30, 2008. We were unable to satisfy ourselves concerning the acceptability of the inclusion of lines 60 to 90 days preceding their disconnect date as the FCC Rules do not clearly indicate these lines would be considered other than working loops as described above.

As we are unable to clearly determine whether the Beneficiary's policy is in conflict with the FCC Rules as discussed in the preceding paragraph, we are unable to express, and we do not express, an opinion on the Beneficiary's compliance referred to above.

This report is intended solely for the information and use of the Universal Service Administrative Company and the Federal Communications Commission, and is not intended to be and should not be used by anyone other than these specified parties.

INSERT DATE

cc: Management of the Beneficiary

**ATTACHMENT:**  
**FINDING**

**Detailed Information Relative to Material Noncompliance (Finding)**

<b>Finding No.</b>	HC2008BE126_F01
<b>Condition</b>	<p>The Beneficiary interprets the term “Working Loop” to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary disconnects the line and returns that telephone number to available inventory for assignment to a new customer. The Beneficiary determines the date upon which a customer’s line will be disconnected pursuant to its disconnection policy.</p> <p>Pursuant to the terms and conditions of the Beneficiary’s service, each customer agrees that the Beneficiary has the right to place various limits upon the service in the 60 to 90 days preceding the disconnect date.</p> <p>During the 60 to 90 days preceding the disconnect date, the Beneficiary considers these lines as “working loops” and includes them in line counts submitted in accordance with Federal Communications Commission (“FCC”) Rule §54.307.</p>
<b>Criteria</b>	<p>Federal Communications Commission (FCC) Rule §54.307(a) provides that a competitive eligible telecommunications carrier (“CETC”) may receive universal service support to the extent that the competitive eligible telecommunications carrier captures the subscriber lines of an incumbent local exchange carrier (LEC) or serves new subscriber lines in the incumbent LEC’s service area.</p> <p>Under FCC Rule §54.307(b), in order to receive support, a competitive eligible telecommunications carrier must report to the Administrator the number of working loops it serves in a service area pursuant to the schedule set forth in paragraph (c) of this section. FCC Rule §54.307(b) defines working loops for CETC’s as the number of working Exchange Line C&amp;WF loops used jointly for exchange and message telecommunications service, including C&amp;WF subscriber lines associated with pay telephones in C&amp;WF Category 1, but excluding WATS closed end access and TWX service.</p>
<b>Effect</b>	It is unclear whether the inclusion of lines during the 60 to 90 days preceding the disconnect date is in accordance with the definition of a working loop in Section 54.307(b).
<b>Cause</b>	Apart from Section 54.307(b) of the FCC’s Rules, no FCC rules, orders or decisions explicitly address the definition of CETC working loops for universal service support purposes.
<b>Monetary Impact on Support</b>	The monetary impact on support was not quantified, as we issued a disclaimer of opinion; however, total disbursements made from the Universal Service Fund during the year ended June 30, 2008 amounted to \$14,971,972.
<b>Recommendation</b>	The Beneficiary should seek guidance from the FCC on whether their policy, including the interpretation of a working loop is in keeping with the FCC Rules.
<b>Management Response</b>	Coral Wireless, LLC, d/b/a Mobi PCS (“Coral”), hereby responds to the Independent Accountants’ (“Deloitte”) Report on Compliance Relating to High Cost Support Received by Coral Wireless LLC d/b/a Mobi PCS (HC-2008-126) for the Year Ended June 30, 2008 (the “Report”). Coral provides pre-paid mobile services. Apart from Section 54.307(c) of the FCC’s Rules, no FCC rules, orders



or decisions explicitly address the definition of competitive eligible telecommunications carrier ("CETC") "working loops" for universal service support purposes. Indeed, on October 27, 2003, the FCC denied a petition filed by the Personal Communications Industry Association ("PCIA") requesting clarification of the definition of "working loops" as applied to wireless CETCs on the grounds that

[t]he issues raised by PCIA are within the scope of the separate proceeding to comprehensively reexamine the Commission's rules governing portability of high-cost support, which is currently before the Joint Board. *We emphasize that our denial of PCIA's petition here does not in any way prejudice what action we ultimately may take in the portability proceeding.*

*Federal-State Joint Board on Universal Service*, 18 FCC Rcd 22559, 22639 (2003) (emphasis added); *see also* Petition for Reconsideration and/or Clarification of the Personal Communications Industry Association, CC Docket No. 96-45 (filed Jan. 3, 2000) at 5 ("PCIA requests that the Commission clarify or, as necessary, reconsider this requirement with respect to wireless carriers and find that a "working loop" for a wireless carrier is designated by a working phone number."). The Commission has yet to take any action in the portability proceeding, and thus any clarification of Section 54.307(c) of the FCC's rules by the Commission would have to apply on a prospective basis only. In light of the Commission's pending consideration of the clarification of the definition of "Working Loop" as applied to wireless CETCs, Coral interprets the term "Working Loop" to include any line from the moment Coral connects the line by assigning a particular telephone number to, or porting in a particular telephone number on behalf of, a specific customer until Coral disconnects the line and returns that telephone number to Coral's available inventory for assignment to a new customer on a first come, first served basis or releases it to the carrier from which it was ported in to Coral on behalf of the former customer (Coral does not hold telephone numbers on reserve for customers in anticipation of the establishment of an account or on a seasonal basis). Coral determines the date upon which a customer's line will be disconnected pursuant to its disconnection policy. As a provider of pre-paid mobile services, a customer can purchase more pre-paid services at any time until the customer's line is disconnected pursuant to the disconnection policy. As such, until the day of disconnection pursuant to the disconnection policy, it is impossible to know whether a customer's line will be disconnected or not. Therefore, Coral's interpretation of Section 54.307(c) of the FCC's rules is reasonable and consistent with FCC precedent.



# USAC

April 21, 2011

Mr. Barry Rinaldo  
Coral Wireless d/b/a Mobi PCS  
Chief Financial Officer  
733 Bishop St., Suite 1200  
Honolulu, HI 96813

Re: Coral Wireless d/b/a Mobi PCS Report HC-2008-126

Dear Mr. Rinaldo:

The Universal Service Administrative Company (USAC) at the direction of the Federal Communication Commission (FCC or Commission) Office of Inspector General (OIG), previously engaged the services of the independent accounting firm of Deloitte & Touché, LLP (Firm) to perform an examination and provide an opinion concerning Coral Wireless d/b/a Mobi PCS's (Coral Wireless) compliance with 47 C.F.R. Part 54, relevant sections of 47 C.F.R. Parts 32, 36, 64, and 69, and relevant Commission orders (collectively, the Rules) and to assist in fulfilling FCC requirements related to the Improper Payment Information Act (IPIA)<sup>1</sup> relative to specific study area High Cost Program (HCP) support disbursements made by USAC during the period July 1, 2006 through June 30, 2007 (Audit Period).

[REDACTED] The reason for issuance of a disclaimer was the result of Coral Wireless' lack understanding with the Rules.

The USAC Internal Audit Division (IAD) reviewed the audit work papers and supporting documentation completed by the Firm, including the working loop audit finding noted by the Firm. IAD determined that the Firm has obtained adequate documentation to support the working loop finding.

IAD would like to extend the opportunity for Coral Wireless to review the Firm's updated finding and Coral Wireless' original response. Please see the enclosure. If Coral Wireless would like to provide additional documentation or update its response, please provide such information by **May 6, 2011**.

If there are any matters or issues that you would like to make us aware of, or if you have any questions or concerns, please feel free to contact Teleshia Delmar or myself at 202-776-0200.

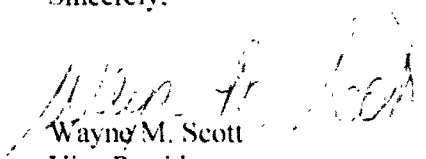
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<sup>1</sup> See 31 U.S.C. § 3122; Public Law 107-300, Stat. 2350, November 26, 2002.

USAC

Thanking you in advance for your full cooperation.

Sincerely,



Wayne M. Scott  
Vice President  
Internal Audit Division



### **Scope of Work**

The audit procedures consisted of the following:

- Identify the number of lines reported as working loops during the 60-90 day period preceding the disconnect date which were included in the line count filings as of September 30, 2006 and December 31, 2006.
- Quantify the number of lines reported as working loops during the 60-90 day period preceding the disconnect date that were included in the September 30, 2006 and December 31, 2006 filings where the phone numbers were returned to inventory, and service was not reactivated.
- Report the results of findings.

### **Audit Results**

#### **Background**

In the attestation engagement report dated March 10, 2010, the Firm reported that the Coral Wireless (the Beneficiary) interprets the term "Working Loop" to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary disconnects the line and returns that telephone number to available inventory for assignment to a new customer. The Beneficiary has the right to place various limits upon the service in the 60 to 90 days preceding the disconnect date, including limiting the customer's ability to only call 911 or call the Beneficiary to reactivate the line.

[REDACTED]

[REDACTED]. The lines do not appear to meet the definition of a working loop as the service is prepaid, meaning that the line is not revenue producing, and was not active as of September 30, 2006.

The finding provided below is similar to the finding noted in the original audit (HC-2008-126) with additional details provided.

#### **Condition**

The Beneficiary provides wireless services on a month-to-month basis where the services are paid in advance. Revenues from wireless services are recognized as services are rendered. Amounts received in advance are recorded as deferred revenue and are recognized on a straight-line basis

The logo for the Universal Service Administrative Company (USAC). It features the letters "USAC" in a large, bold, serif font. Below the letters, the words "Universal Service Administrative Company" are written in a smaller, sans-serif font, arranged in two lines.

over the period of service.

The Beneficiary interprets the term "Working Loop" to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary disconnects the line and returns that telephone number to available inventory for assignment to a new customer. The Beneficiary determines the date upon which a customer's line will be disconnected pursuant to its disconnection policy.



**Criteria**

In the Glossary to 47 CFR Part 36, a working loop is defined as a revenue producing pair of wires, or its equivalent, between a customer's station and the central office from which the station is served.

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**Effect**

The Beneficiary provides wireless services on a month-to-month basis where the services are paid in advance. As the wireless service is prepaid, the line ceases to be revenue producing at the end of the prepaid period, and thus should not be included in the filings.

**Cause**

The Beneficiary interprets the term "Working Loop" to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary

The logo for the Universal Service Administrative Company (USAC) is located at the top left of the page. It consists of the letters "USAC" in a large, bold, serif font. Below the letters, there is a smaller line of text that reads "UNIVERSAL SERVICE ADMINISTRATIVE COMPANY".

disconnects the line and returns that telephone number to available inventory for assignment to a new customer. The Beneficiary determines the date upon which a customer's line will be disconnected pursuant to its disconnection policy.

[REDACTED]

[REDACTED]

**Monetary Impact  
on Support**

The monetary impact on support would be a [REDACTED]

[REDACTED] during the disbursement period ended June 30, 2008.

**Beneficiary Response**

Coral Wireless, LLC, d/b/a Mobi PCS ("Coral"), hereby responds to the Independent Accountants' ("Deloitte") Report on Compliance Relating to High Cost Support Received by Coral Wireless LLC d/b/a Mobi PCS (HIC-2008-126) for the Year Ended June 30, 2008 (the "Report"). Coral provides pre-paid mobile services. Apart from Section 54.307(c) of the FCC's Rules, no FCC rules, orders or decisions explicitly address the definition of competitive eligible telecommunications carrier ("CETC") "working loops" for universal service support purposes. Indeed, on October 27, 2003, the FCC denied a petition filed by the Personal Communications Industry Association ("PCIA") requesting clarification of the definition of "working loops" as applied to wireless CETCs on the grounds that

[t]he issues raised by PCIA are within the scope of the separate proceeding to comprehensively reexamine the Commission's rules governing portability of high-cost support, which is currently before the Joint Board. *We emphasize that our denial of PCIA's petition here does not in any way prejudge what action we ultimately may take in the portability proceeding.*

*Federal-State Joint Board on Universal Service*, 18 FCC Rcd 22559, 22639 (2003) (emphasis added); *see also* Petition for Reconsideration and/or Clarification of the Personal Communications Industry Association, CC Docket No. 96-45 (filed Jan. 3, 2000) at 5 ("PCIA requests that the Commission clarify or, as necessary, reconsider this requirement with respect to wireless carriers and find that a "working loop" for a wireless carrier is designated by a working phone number."). The Commission has yet to take any action in the portability proceeding, and thus any clarification of Section 54.307(c) of the



FCC's rules by the Commission would have to apply on a prospective basis only. In light of the Commission's pending consideration of the clarification of the definition of "Working Loop" as applied to wireless CETCs, Coral interprets the term "Working Loop" to include any line from the moment Coral connects the line by assigning a particular telephone number to, or porting in a particular telephone number on behalf of, a specific customer until Coral disconnects the line and returns that telephone number to Coral's available inventory for assignment to a new customer on a first come, first served basis or releases it to the carrier from which it was ported in to Coral on behalf of the former customer (Coral does not hold telephone numbers on reserve for customers in anticipation of the establishment of an account or on a seasonal basis). Coral determines the date upon which a customer's line will be disconnected pursuant to its disconnection policy. As a provider of pre-paid mobile services, a customer can purchase more pre-paid services at any time until the customer's line is disconnected pursuant to the disconnection policy. As such, until the day of disconnection pursuant to the disconnection policy, it is impossible to know whether a customer's line will be disconnected or not. Therefore, Coral's interpretation of Section 54.307(c) of the FCC's rules is reasonable and consistent with FCC precedent.

If Coral Wireless does not respond to this letter with additional documentation or an updated response by **May 6, 2011**, IAD will submit the Firm's finding and Coral Wireless' original response (as noted above) to USAC management to determine what action, if any, is required. If USAC Management determines that corrective action is necessary, they will be in contact with you.

***Universal Service  
Administrative Company  
High Cost Support  
Mechanism***

*Independent Accountants' Report on Compliance  
Relating to High Cost Support Received by Coral  
Wireless LLC d/b/a Mobi PCS (HC-2008-126) for the  
Year Ended June 30, 2008*



**INDEPENDENT ACCOUNTANTS' REPORT**

Universal Service Administrative Company  
Federal Communications Commission

We have examined the compliance of management of Coral Wireless LLC d/b/a Mobi PCS ("Management"), and Coral Wireless LLC d/b/a Mobi PCS ("Beneficiary"), relative to Study Area Code No. 629002, with 47 C.F.R. Part 54, Subparts C and D of the Federal Communications Commission's ("FCC") Rules and related Orders governing Universal Service Support for the High Cost Program ("HCP") relative to disbursements of \$14,971,972 for telecommunication services made from the Universal Service Fund during the year ended June 30, 2008. Management of the Beneficiary is responsible for the Beneficiary's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the Beneficiary's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the Beneficiary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Beneficiary's compliance with specified requirements.

As discussed in Finding HC2008BE126 F01, [REDACTED]

[REDACTED] However, the support received for Local Switching Support ("LSS") and High Cost Loop ("HCL") was calculated based upon the previous quarter's line count reported of [REDACTED], resulting in a monetary impact on support of an underpayment of LSS and HCL in the amount of \$43,551 and \$492,810 respectively. [REDACTED]

[REDACTED] The line count was used in the calculation of the Beneficiary's Universal Service Support, which totaled \$14,971,972 for the year ended June 30, 2008.

[REDACTED]

[REDACTED]